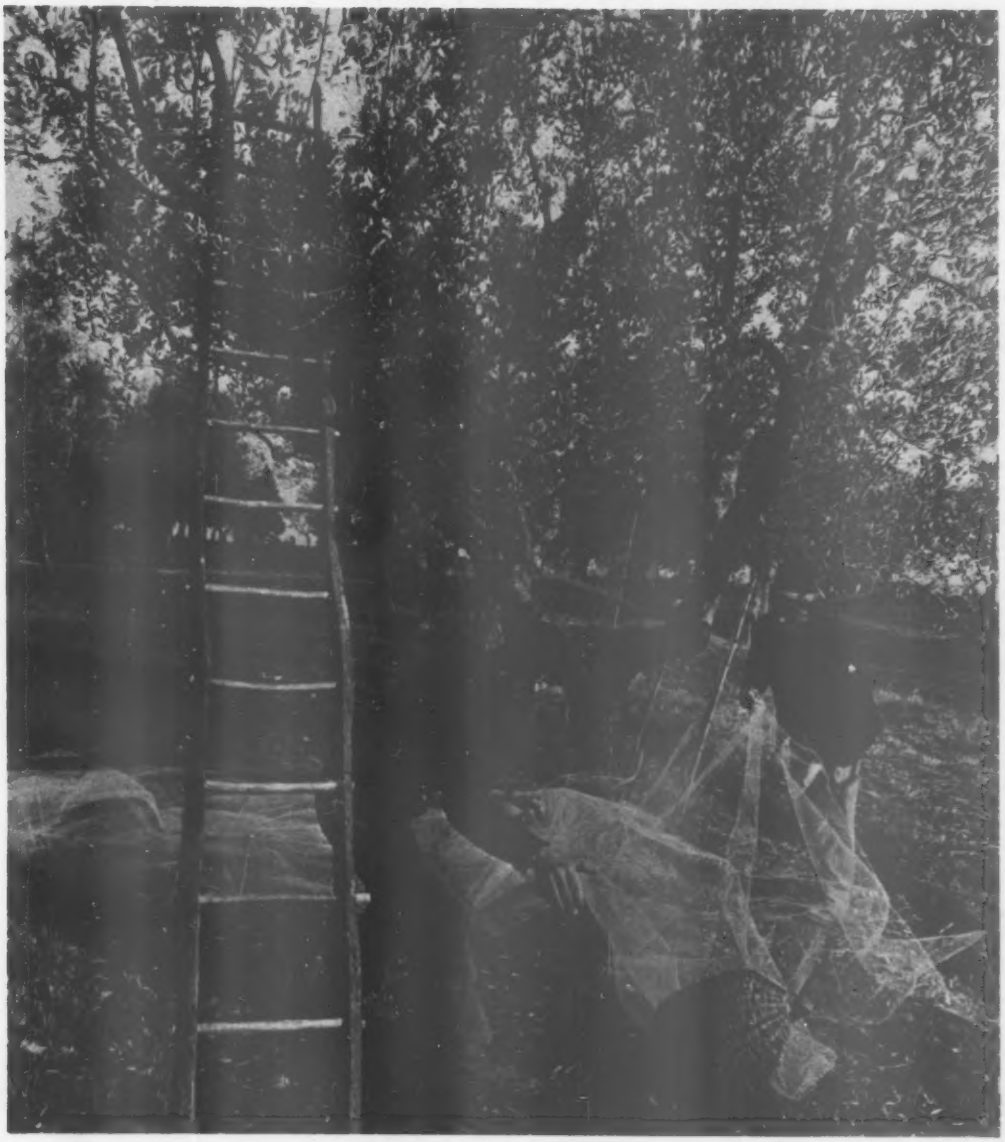
FOREIGN AGRICULTURE



February 18, 1974

EC Meat Output Up

U.S. Food Policy

Foreign
Agricultural
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U.S. DEPARTMENT
OF AGRICULTURE

FOREIGN AGRICULTURE

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This week's cover:

Nylon net is spread under olive trees on Tuscany farm to catch any olives missed by the pickers. High prices in the 1972-73 marketing year have made olive oil production especially profitable, and output is expected to rise slightly in 1973-74. See article on page 5.

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Enlarged EC's Higher Meat Output Could Slow Beef Imports in 1974

By ARTHUR F. HAUSAMANN
Livestock and Meat Products Division
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A PROJECTED increase in red meat production by the European Community (EC) in 1974 could exert a depressing effect on beef prices in world trade. Some of the beef imported from Australia in the past 2 years to augment EC output is likely to be redirected into the Japanese and U.S. markets—at prices below 1973 levels.

At the beginning of 1973, EC beef production was expected to recover from low 1972 levels, but slaughter remained below normal until the last quarter of the year. Higher slaughter at the end of 1973, accumulated intervention purchases since June 1973, and seasonally higher winter slaughter have produced a temporary beef surplus in the EC.

As a result, an EC export subsidy of 19 U.S. cents per pound was fixed for carcass beef on December 21, 1973. In addition, a special subsidy has been fixed for exports of frozen manufacturing-grade beef to the United States.

This is the first EC export subsidy for carcass beef in history, excluding special subsidies issued for trade with Switzerland. France, which has the largest supply of beef for export, has called for an embargo on imports of beef and 10 percent increases in orientation prices.

If EC production advances as expected during 1974, beef imports are likely to turn downward from the high levels of 1972 and 1973. The steepest rise in EC red meat output is projected to occur in the second half of 1974. Thus, beef imports in first-half 1974 may be only slightly below current levels, with a sharper decline in the second half of the year.

Protected by the Common Agricultural Policy (CAP) for beef and veal, higher EC domestic supplies this year will tend to drive imports from the market, rather than reduce domestic prices. Moreover, orientation prices (ideal wholesale prices) may increase again after April 1974, further widening the difference between EC internal and import prices.

Exportable supplies of beef in Argentina, the EC's major external supplier, are expected to increase in 1974, exerting further pressure on world prices. Production is also rising in Oceania, which supplied large quantities of beef to the EC in the beef-short 1972 and 1973 seasons.

In 1973, the EC-9 accounted for about 32 percent of world beef imports, compared to the United States with 36 percent and Japan with 7 percent.

Net imports of beef and veal by the EC-6 average about 800 million pounds (carcass weight) annually until 1972 when they soared to over 1.4 billion pounds. In 1973, net imports continued near this level.

Among the new Member States, U.K. net imports are in a long-term decline, dropping by about 200 million pounds since the early 1960's. The other two new Member States, Ireland and Denmark, are net exporters of beef.

WITH THE ACCESSION of Ireland, Denmark, and the United Kingdom, the enlarged EC has become one of the world's biggest producers of beef and the second largest producer of pork. Beef output exceeds EC-9 levels only in the United States and sometimes the Soviet Union, and pork production is higher only in the People's Republic of China.

In 1974, beef production in the EC is expected to nearly equal 1971's high level and be nearly 8 percent over 1973. Pork production in the EC this year is projected to be up 3 percent over 1973—a record year for pork output.

Total red meat production in EC-9 countries in 1973 is estimated to be 2 percent above 1972 levels, but 2 percent less than the record output of 1971. Red meat outturn reached record highs in the EC in 1971, but dropped about 4 percent in 1972. Lower production during 1972 and 1973 caused beef imports to increase sharply.

When beef production throughout the

EC declined in 1972, average live cattle prices rose by 29 percent as a result of reduced slaughter. Most of the production decline was in the last half of the year, when commercial beef production dropped 12 percent as farmers held back cattle to rebuild dairy herds that had been culled in 1970 and 1971. The EC Council paid premiums for dairy cow slaughter in these years in an attempt to lower milk surpluses.

Beef production continued low in the first half of 1973 because farmers, encouraged by high market prices for beef and the 10.5-percent increase in the orientation price for the 1973-74 season, held back cattle.

In the fourth quarter of 1973, however, cattle slaughter began to rise, as some of the cattle that had been held back were marketed before winter.

Cattle numbers in the original EC-6 have returned to pre-1971 levels, while cow numbers are above those levels. As a result, beef output could expand this year without the excessive cow slaughter that occurred in 1971. Calf slaughter is falling in all EC countries and average slaughter weights are rising.

Italy is the only country in which some reduction in beef production may occur in 1974, since 30 percent of Italy's beef production is from imported live cattle.

Italy also is facing higher production costs because of static domestic grain production and higher grain import prices. However, the livestock industry accounts for only 38 percent of farm income in Italy, compared with 60 percent or more in other EC countries and the United States.

In the EC-6, more than 60 percent of beef and veal slaughter and about 45 percent of beef and veal production consists of culled dairy cows and milk-fed calves. By comparison, culled dairy cows and calves in the new member countries account for only about 20 percent of total beef and veal production. In the United States, cows and calves account for only about 15 percent of federally-inspected beef and veal production.

Most EC farmers would have difficulty moving from dairy to beef cattle because farms are too small to produce grass-fed beef profitably as is done in Argentina or Australia. Further, in the United Kingdom and Ireland, where there are larger farms and beef production from grass-fed animals is profitable, high EC grain prices may result

Italian meat cutter, above, demonstrates the process of reducing a hog carcass to primary cuts. Danish Red cattle, top right, are raised for both beef and milk. Brown Swiss, right, are features of provincial show, Italy.

in some pasture being diverted to grain or other crop production.

In the EC-6 in 1970, 18 percent of farm income was earned through milk sales, 14 percent from pork, and 15 percent from beef and veal, compared with the United States where 28 percent of farm income is earned from beef and veal, 9 percent from pork, and 13 percent from milk.

The EC has had several programs to pay farmers to convert from dairy to beef cattle, but payments were not large enough to equal current income from milk sales. The only way EC farmers could substantially increase beef production at a profit would be through confined feeding, which at current beef price levels would require a reduction in grain prices.

Cattle numbers are not a limiting factor for beef production in the EC. The EC-6 now has enough cattle to produce some 20 percent more beef if current calf slaughter were reduced to U.S. rates and the calves were fed in feedlots. To produce this much beef from grass would require a longer turnaround period and larger cattle numbers. This also could result in increased milk production.

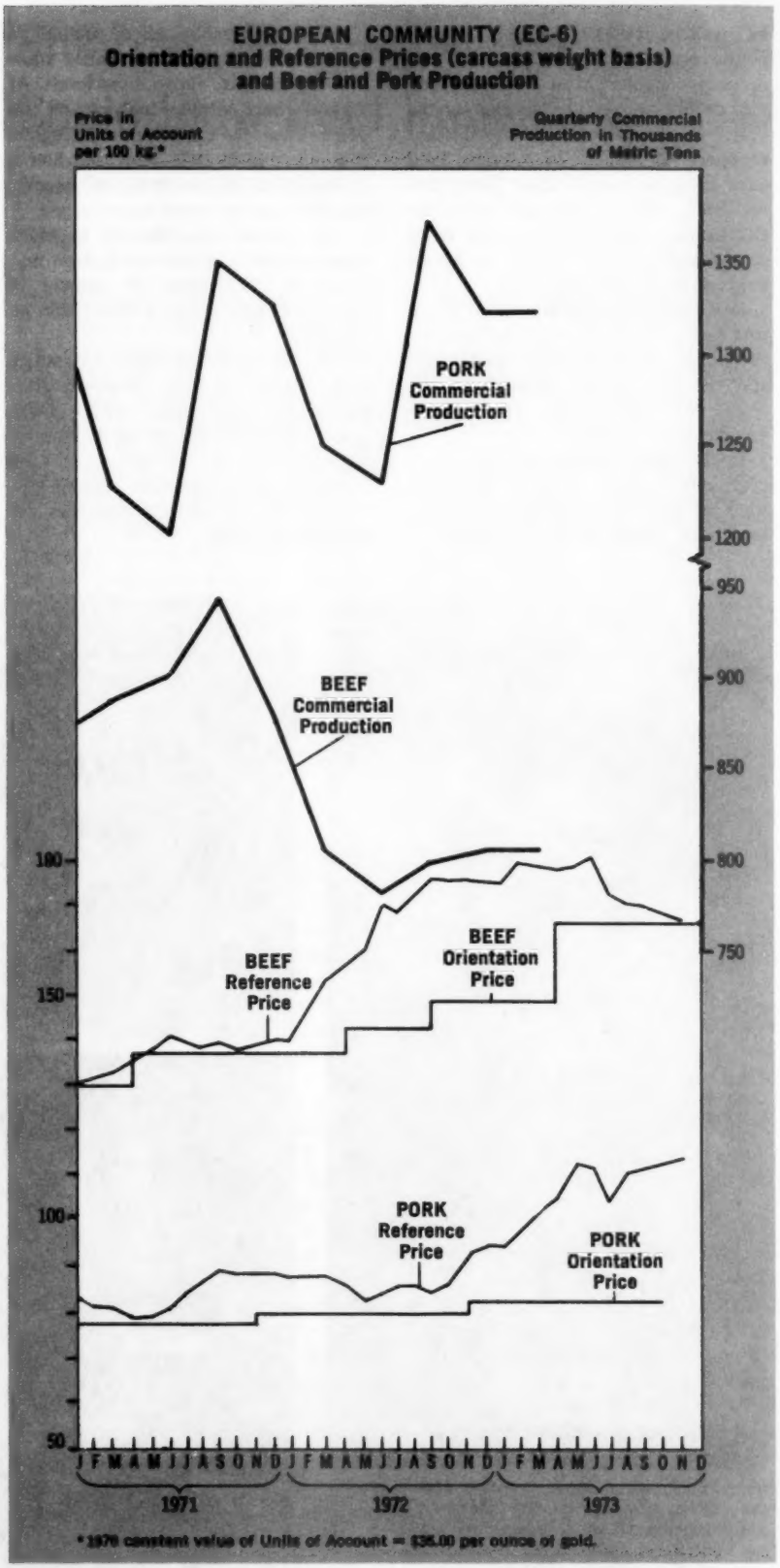
Any change in dairy herds has a direct effect on beef output, so that attempts to reduce milk production initially stimulate beef production, but ultimately reduce beef output. If there is no increase in cow slaughter in 1974, the EC milk surplus will expand again, since dairy cows account for over 80 percent of the EC cow population.

When EC meat supplies tighten—as they did in 1972—levy and duty rates are relaxed. The EC market becomes much more attractive for world import supplies because of higher internal price levels in the EC than in the United States. When prices fall to the target level—as they now have—duties and levies are reimposed, and imports decline. Thus, the United States and other major world importers could be pressured by exporters looking for a market for their beef.

Full United Kingdom membership in the EC will add to the problem; currently Britain does not apply the full EC duty on imports.

In the first week of November 1973, the import price for beef—the price used to calculate the EC live cattle and beef import levy—reportedly fell below the orientation price. This has resulted

Continued on page 16


EUROPEAN COMMUNITY (EC-6)
Orientation and Reference Prices (carcass weight basis)
and Beef and Pork Production
Price in Units of Account per 100 kg.*
Quarterly Commercial Production in Thousands of Metric Tons
PORK Commercial Production
BEEF Commercial Production
BEEF Reference Price
BEEF Orientation Price
PORK Reference Price
PORK Orientation Price
1350
1300
1250
1200
950
900
850
800
750
180
150
100
50
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D
1971
1972
1973
* 1970 constant value of Units of Account = $35.00 per ounce of gold.

World Olive Oil Output Up as Prices Jump

By MARY HUTCHISON
Fats and Oils Division
Foreign Agricultural Service

WORLD OLIVE OIL production will gain slightly in 1973-74 following a decisive price hike in the 1972-73 marketing year.

Increases in outturn of pressed olive oil in Italy, Spain, and Tunisia, although partly offset by reduced output in Greece, Portugal, and Turkey will boost world production by 6 percent in 1973-74. Most of the increased production is expected to help rebuild stocks while domestic consumption of olive oil in producing countries is not expected to change significantly.

Preliminarily forecast at 1.5 million metric tons, the current season's output is 82,000 tons above the 1972-73 volume. Olive oil supplies for the 1973-74 season are estimated at 1.9 million tons —up 73,000 tons.

Annual changes in olive oil production are usually characterized by a biennial yield cycle—large production one year followed by reduced output the next. Fluctuations in world production of olive oil are reduced, however, because high-yield years in major producing countries do not coincide.

Olive oil production in Italy is forecast at 480,000 tons, 32 percent above that of last season. Production could conceivably be somewhat higher, but Italy has had problems hiring sufficient labor at reasonable wages to harvest olives. In 1972-73, Italy's olive oil output was relatively small and stocks were drawn down sharply.

Spain's olive oil output is currently estimated at 500,000 tons, 12 percent above 1972-73. Favorable weather and reduced insect and disease damage are expected to boost output again this year. Spain has historically been one of the world's major exporters of olive oil.

During the past year, Spain's Government enacted many controls on olive oil exports to try to hold down rising domestic prices. Despite these regulations, prices paid to olive oil producers have risen by about 50 percent since the end of the 1971-72 season.

At the end of the 1972-73 season, Spain's olive oil stocks were estimated at 48,000 tons—the lowest volume on record. On October 16, 1973, the Spanish Government suspended bulk olive oil exports to conserve supplies for the domestic market. Ten days later, a new regulation was issued which set higher retail and wholesale prices for olive oil and allowed the General Supply Commission to inventory all olive oil stocks at mills, packing plants, and warehouses. Any unreported stocks of olive oil were to be confiscated by the Government and a lower-than-market price paid for them. All of these regulations have caused a turmoil in Spain's domestic and export olive oil markets.

Greece is expecting a somewhat smaller 1973-74 olive oil output of 190,000 tons—24 percent less than last season's. Greek producers are currently holding on to their olive oil because of economic uncertainties. This has forced the Greek Government to import 3,000 tons of olive oil from Spain and 1,000 tons from Tunisia to cover domestic consumption requirements.

In Portugal, the area in olive groves continues to decrease and consequently production is dropping. Output for the current season is forecast at 42,000 tons. Portuguese olive oil consumption has declined because of increased availabilities of seed oils—such as soybean, cottonseed, and sunflower—at much lower prices. A shortage of farm labor is another factor in the continuing decline of Portuguese olive production.

Tunisia expects to have a 1973-74 oil output of 140,000 tons—more than double last year's; but lower than the record 167,000 tons produced in 1971-72. The Tunisian Government has been encouraging planting of new olive groves and more efficient management of already established groves. By means of high olive oil export prices, the Government has attempted to stimulate exports thereby limiting domestic consumption. Olive oil is also being blended with seed oils to reduce Tunisian consumption of olive oil.

Increasingly, the position of olive oil in the vegetable oil market is that of a high-priced specialty oil, whose relative market share is declining. During the 1972-73 marketing year, olive oil prices have gone from US$990 per metric ton in November 1972 for Spanish edible olive oil, 1 percent drums, to $1,507 in November 1973. The price rise represents a 52-percent increase. The spread between olive oil and soybean oil prices increased from 34.6 U.S. cents a pound in January 1973 to 45.3 cents a pound in October.

Olive oil accounts for a small percentage of total vegetable oil production and trade. It does, however, continue to command considerable consumer loyalty in some countries as evidenced by the premium price consumers are willing to pay for this distinctive product.

PRESSED OLIVE OIL: SUPPLY AND DISTRIBUTION IN MAJOR PRODUCING COUNTRIES
[In thousands of metric tons]

Item	1968[1]	1969[1]	1970[1]	1971[1]	1972[1]	1973[1]	1974[1,2]
Supply:							
Beginning stocks	401	482	540	377	399	380	371
Production:							
Spain	259	480	358	475	341	445	500
Italy	537	384	473	420	616	365	480
Greece	194	154	156	198	183	250	190
Portugal	81	53	72	67	42	48	42
Turkey	60	126	50	110	51	154	55
Tunisia	51	55	25	90	167	70	140
Others	153	132	106	101	152	135	142
Total production	1,335	1,384	1,240	1,461	1,552	1,467	1,549
Total supply	1,736	1,866	1,780	1,838	1,951	1,847	1,920
Distribution:							
Net exports	82	94	94	106	113	95	115
Apparent domestic consumption	1,172	1,232	1,309	1,333	1,458	1,381	1,388
Ending stocks	482	540	377	399	380	371	417
Total distribution	1,736	1,866	1,780	1,838	1,951	1,847	1,920

[1] Year ending Oct. 31. [2] Forecast.

U.S. FOOD POLICY

People here and abroad, who in the past assumed the United States to be a bottomless storehouse of farm products, are asking these questions: What is the U.S. food policy? Will the United States have the production to back up that policy? What are the implications for other countries and the world?

THIS COUNTRY'S food policy can be summarized very simply in terms of four goals:

- To produce abundantly and efficiently for our own people.
- To produce for the world market that is expanding and liberalizing.
- To maintain our dependability as a world supplier of farm products.
- To continue to do our part in providing for humanitarian needs at home and abroad.

In the current export year, ending next June 30, total U.S. farm exports will establish another high, both in volume and value.

Japan will probably take a record of over $3 billion worth of U.S. farm commodities in 1973-74, with major gains in wheat, feedgrains, fresh fruits, cotton, and tobacco. Much of the increase for Japan will of course stem from higher unit values.

Other Asian countries will take large volumes of U.S. feedgrains and wheat. And for Asia as a whole, U.S. shipments will be in the neighborhood of $6 billion—accounting for almost a third of U.S. farm exports and exceeding shipments to Western Europe.

In addition to the increase in commercial shipments that U.S. farmers made possible in this critical 2-year period, it is important to realize that the United States has continued to meet its international responsibilities for food aid and concessional sales of farm products to needy countries. In the 2-year period ending next June 30, this Nation will have shipped abroad approximately $2 billion in farm commodities under P.L. 480.

Over the years, the trend has been for our concessional outlets to become commercial markets.

Last year, Latin America purchased over $1 billion in U.S. food products on the commercial market. The Caribbean countries increased their imports of U.S. farm products by nearly one-third—in response to higher incomes and expanding tourist trade.

Asia, even if you do not count Japan and the People's Republic of China, has become a rapidly growing U.S. market. Korea and Taiwan, former P.L. 480 recipients, have added significantly to the U.S. export volume in the past year, and all of this increase is in commercial sales.

Even as the United States increased its overseas shipments it also introduced certain adjustments in its domestic farm programs. Secretary Butz announced for 1973 the return of 41 million acres from the 60 million acres under Government set-aside programs, enabling American farmers to use these acres as they wished in 1973. Some 25 million acres came back into crop production. For the 1974 crop year, the Secretary announced release of the remaining 19 million acres.

As a result, we expect even larger crops this year—following the record crops of 1973. We expect further improvement in the world food situation.

In the longer run, more land could be brought into crop production if demand warranted and price incentives were adequate. Despite the steady loss of acreage to housing, highways, airports, and other development, the United States still has extensive land resources, which could become productive cropland under certain conditions.

However, the more likely means for increasing American crop production in the next 10 to 15 years is through higher crop yields per acre. This means applying newer and more intensive technology. It also implies fair incentive prices for farmers.

The Department of Agriculture has attempted to make some appraisal of the productive capacity that is obtainable in 1985 through the combination of the use of more land and higher yields per acre. We can easily envision a 9-billion bushel corn crop by 1985 and wheat and soybean crops of 2.3 billion bushels each. Total feedgrain production should easily top 300 million short tons, compared with 208 millions tons in 1973.

These estimates could be conservative. They do not take into account any dramatic scientific breakthroughs. The development and widespread use of hybrid wheat, for example, could push wheat yields well above the levels now projected.

This is not to say that the United States could, or should, do the whole job of meeting the growth in world demand. It is simply to say that we need not be concerned about the ability of United States agriculture to meet its world obligations, as well as its domestic responsibilities.

Developments of the past 2 years have focused new attention on U.S. policy goals—among people here at home, in Japan, and in other countries. There is a new realization of the interdependence of today's world.

The world has learned that no one is in a position to go it alone. Many of the importing nations simply cannot produce for all their own needs. They must, as Japan has done, develop products that other countries want, in exchange for the food they cannot grow themselves. And exporting nations realize that if they are to make the best use of their farm plants, they must have stable foreign markets.

THIS HAS SET the stage for at least three major issues to be discussed: What policy is needed to provide emergency relief to disaster areas and to the developing nations experiencing chronic problems in generating foreign exchange to buy food? What policy is needed with regard to a world food reserve? And how should such a world food policy be instituted?

In November 1974 representatives of the world's governments will meet and come to examine the world food situation, and highlight what might be done.

These are the three main issues as we see them:

First, what policy is needed to provide emergency assistance, and to help the developing world? The American people have always responded well to

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Based on speech by David L. Hume, FAS Administrator, at Pacific Northwest Conference on Agricultural Trade with Japan, January 24, 1974.

disaster relief needs, both through the Government and through the many charities devoted to overseas relief. With the great production capabilities of this country, we have had an abundance, and when disaster struck, we have shared.

There is much that other nations can do, even those who are not themselves major producers of agricultural commodities. Japan, for example, has been a model in farm modernization, as the Japanese have developed new machinery, instituted land reform to increase farming efficiencies, and developed new seed and crop varieties. Their pattern of agricultural modernization has not depended on large inputs of capital, and thus is a particularly valuable model for the capital-short Third World to follow. Japan has shared this technical expertise, and if we are to meet the needs of the developing world, such programs must be expanded in the world.

This may well be an area where most nations would prefer to join in a multinational approach.

Worldwide, people seek assurance that sufficient commercial reserves will be maintained to prevent food prices from rising to unacceptable levels when harvests fall short. At the same time, U.S. domestic farm policies have moved away from the accumulation of Government-owned surpluses. Secretary Butz has told other countries:

"We do believe . . . that importing countries and private interests should not assume that the United States Government can and will maintain commercial reserves adequate for all customers under all conditions. Means should be found for customers to share commercial stockpiles and assure themselves of adequate stocks. There is no reason that grain producing countries, for example, should carry commercial reserves for all the world's potential paying customers. And there is certainly no reason why one or two countries, the United States and Canada, for example, should perform the lion's share of this role."

THE THIRD ISSUE: How should a world program of food reserves be handled?

One proposal would set up an international food bank, designed to manage reserves, dictate how much each nation should put into it, how the reserves would be released, to whom, and at what price. It might also include maximum and minimum world prices in the form of commodity agreements. It would probably be established under international control.

A second idea suggests that the most important job is to obtain adequate production. By sharing information worldwide on surplus and deficit situations, and by providing guidelines which would allow each nation to determine its own requirements, the tried and true alarm of supply-demand influences would reach through to generate the needed production to protect world supplies.

Our reasoning for favoring the second proposal is not that it would benefit this country more than some other systems. It is plainly and simply that this is an idea we think would work.

For such a program to succeed will require full international cooperation. Importing nations must accurately gauge their own requirements, and plan ahead to provide supplies. Their demand will stimulate the exporting nations to produce. Exporting nations will need to provide importing nations with valid data on production, to provide a guide to world supplies. Using international guidelines, each nation can determine just how much it would require for a reserve.

This is the basis for an incentive economy—the only way we can have reasonable assurance that the necessary supplies will be there when needed.

MAJOR RISE IN U.S. FARM OUTPUT FORESEEN

Can U.S. farmers continue to expand their production at the high rates of recent years? The answer is a resounding "yes," according to projections developed by economists in USDA's Economic Research Service.

By 1985, say the projections, U.S. feedgrain production could be double this year's level, soybean output could expand by a third, beef cow numbers rise by 44 percent, cotton output grow 30 percent, rice output double, and peanut production increase fourfold.

Some of the potential for boosting farm output will come from expansion of cropland, but most will depend on obtaining higher yields. More of the same technology that has already pushed up yields—hybrid seed, fertilizer, irrigation, machines, and others—will underlie the gain.

Harvested cropland could reach 350 million acres by 1985—32 million more than 1973. Much new acreage would come from land now diverted from production under Federal programs and from cropland in pasture. Some 264 million acres are not now being cropped, but are suitable for cultivation. However, crops would have to compete with forestry for these acres and high cattle prices would slow any shift from pasture.

The ERS projections reflect potential production capacity only, and assume that prices will be favorable, land use unrestricted, inputs adequate and fairly priced, and growing conditions normal. But they show probable—rather than maximum—output levels.

Thus, even greater potential could be realized through public and private programs for land development and additional farm research and educational programs.

Wider application of management practices already in use offers promise. Data show that the top 10 percent of U.S. farm producers in 1972 obtained yields that were some 50 percent higher than the U.S. average.

For example, corn yields averaged 96.9 bushels an acre on all farms—top producers attained 143.4 bushels. Winter wheat yields jumped to 50.7 bushels an acre for top producers, average was 34; soybean yields were 44.7 bushels, compared to 28; and cotton yields soared to 926 pounds an acre, against an average 507.

Possible improvements in technology by 1985—not considered in the ERS study—are likely to advance U.S. farm output substantially. Some include improved varieties, such as wheat hybrids with high protein content and up to 25 percent higher yields, or insect-resistant varieties. Research could expand use of double cropping. For livestock producers, crossbreeding and artificial insemination, multiple births, and feeding efficiency could boost output.

Conversely, unforeseen factors could slow the advance in crop production. Among these are fuel and fertilizer shortages, higher labor costs, and possible environmental restraints.

Foreign Spinners Tour U.S. Cotton-Growing Areas

By ROBERT C. TETRO and CAROL M. HARVEY
Cotton Division
Foreign Agricultural Service

SALES PROSPECTS for U.S. cotton may be enhanced by better understanding of U.S. production, prices, and policies gained by Far Eastern and European spinners who recently toured the U.S. cotton belt.

The object of the tour was to acquaint overseas customers with methods of producing, harvesting, ginning, and marketing U.S. cotton—thus bolstering U.S. sales in these important markets.

Foreign spinners were encouraged to express their purchase needs and offer suggestions that would make U.S. cotton more desirable to them. They were also provided with detailed information about the quality, availability, and price of U.S. cotton by their hosts.

This is the sixth consecutive year the tour has taken place. It is sponsored jointly by Cotton Council International, National Cotton Council of America, and the Foreign Agricultural Service. Participants included textile representatives from Hong Kong, Indonesia, Japan, Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand, Vietnam, Hungary, Romania, Spain, and Portugal. During the 2-week visit, they toured six U.S. cotton belt States—from California to Tennessee.

Three concerns were repeatedly voiced by the visitors. First was the current world cotton price phenomenon; second, the volume of U.S. production in 1973-74 and 1974-75; and last, U.S. attitudes toward export controls.

The seemingly inexplicable rise in world cotton prices, especially in view of relatively balanced world supply and demand, was of high interest to the spinners. Among the explanations offered were devaluation of the U.S. dollar, abrogated cotton contracts and other restrictive actions in foreign producing countries, the smaller U.S. crop in 1973-74, and increasing world demand for cotton. Also mentioned were speculative buying and general worldwide inflation.

Little assurance on price levels was given the spinners by U.S. merchants. The consensus was that higher prices than those of a year ago were a permanent phenomenon, although some relief could be expected as Northern Hemisphere crops enter trade in early 1974. Prices to U.S. farmers were not expected to drop below 45 to 50 cents per pound.

The price of all natural fibers was cited as a major reason for increasingly heavy use of manmade fibers by the countries represented. But the competitiveness of manmade fibers will depend on their availability in view of shorter energy supplies and the extent to which they have already penetrated a particular national industry.

Perhaps even more than price, the continued availability of U.S. cotton on the world market concerned the visitors. The visitors were reassured that, barring a crop disaster, the U.S. Government was unlikely to impose export controls. Also emphasized was the ability of the U.S. cotton farmer to gear up and produce desired qualities and quantities—given appropriate legislation and market incentive.

Because of possible shipping problems, however, spinners were encouraged to obtain credits early this year and to make purchases on a c.i.f. basis to allow shippers to arrange the fastest and most available means of transporting exports.

In contrast to concerns voiced several years ago about the U.S. trend toward longer staple cottons, participants agreed that a trend toward finer count yarns this year meant demand for these varieties was growing.

Although low micronaire and short staple cottons are suitable for coarser counts of yarns produced by new open-end spinning machines, such spinning technology is not yet in widespread use. The longer staples were still considered most desirable for the bulk of the visitors' needs.

Prospective import requirements for U.S. cotton and comments on domestic industries were offered by the cotton spinners during the tour. Among these were the following:

- Japan's purchases of U.S. cotton were estimated at about 1.5 million bales in 1973-74 and at 1.1 million bales in 1974-75. In the current marketing year, according to the speaker, purchases amounted to 1.115 million bales. Japan was reported to be switching to the production of finer count yarns, necessitating imports of more of the longer staple varieties than previously.
- Delegates from the Republic of China (Taiwan) reported that they expect a spindle capacity of 3 million by 1974 and that the United States—one of eight suppliers—provides over 50 percent of raw cotton. Taiwan's spindle capacity in 1973 was estimated by USDA at 1.3 million, indicating that their 1974 goal is somewhat optimistic.
- The Philippines reported a recent slowdown in cotton consumption, owing to the use of more mixed blends in textiles. Current spindle and loom capacity was placed at 850,000 and 18,000, respectively.
- In Spain, cotton acreage was said to have been lost to food crops, resulting in a reduction of most import restrictions on cotton. Spain's ongoing attempts to reorganize the spinning in-

dustry were discussed and an increasing interest in longer staple cotton forecast, largely because it mixes better with manmade fibers. The Spanish industry representative projected that 1974-75 imports would reach between 400,000 and 500,000 bales—a large proportion of which would be U.S. cotton. During the 1972-73 season, U.S. exports to Spain totaled 107,000 bales.

• Malaysia's young textile manufacturing industry was described, and spindleage placed at 90,000. The country hopes to double that capacity during 1974.

• The Korean delegation stressed the country's long experience with U.S. cotton. Current spindle capacity is 1.3 million. Korea's economic plan called for an increase to 2.7 million by the end of 1974, but the goal was reduced to 2.2 million because of difficulty in importing machinery. Korean consumption of cotton in 1973-74 was placed at 660,000 bales, and an increase to 1.2 million bales was forecast for 1974-75.

• An effort was made to acquaint the visitors with both commercial and experimental facilities throughout the U.S. cotton belt.

At USDA's Experiment Station in Shafter, California, efforts to produce and improve new long staple varieties were demonstrated, as were ginning operations designed to maintain seed purity for breeding purposes.

Sophisticated automated procedures for ginning, pressing, and wrapping were also shown to the group. These included automatic sampling procedures, electronic classification devices, and computerized breakout of specific amounts of cotton for shipping.

In the Plains region of Texas, where rainfall is low, the visitors observed tests to determine optimum irrigation periods during the planting cycle. Efforts to develop varieties suitable for narrow row planting, with fewer and earlier maturing bolls, were described. These are most suitable for areas with relatively short periods of warm weather.

Also noted by the visitors were experiments to grow glandless cotton—that is, plants without gossypol in the seed. Gossypol now must be removed by the oil mill if any of the byproducts manufactured from the meal are for human consumption.

THE VISIT TO the Mississippi Delta area provided the foreign spinners with the chance to observe mechanical harvesting by spindle-pickers and to view experimental harvesting practices. Also observed in the fields was the module-building method of storing picked cotton prior to ginning, which has just come into commercial use during the most recent seasons.

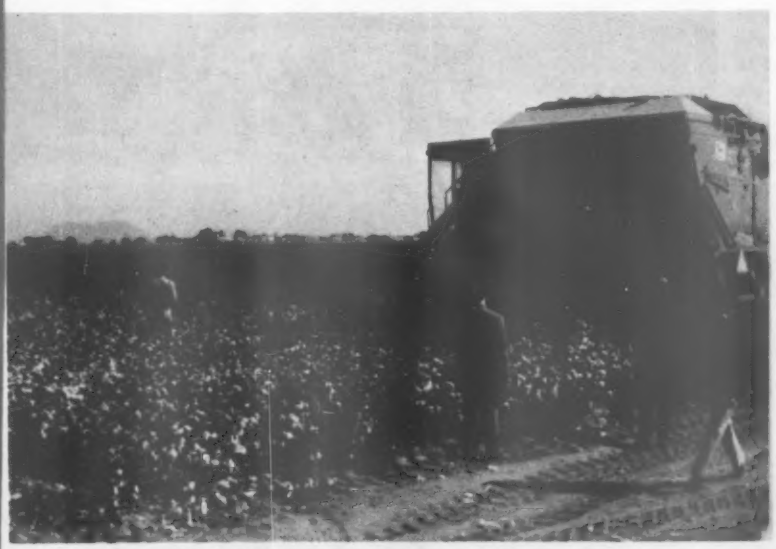
The most modern commercial methods for ginning, sampling, packaging, and compressing were demonstrated. Among these was production of new universal-density bales.

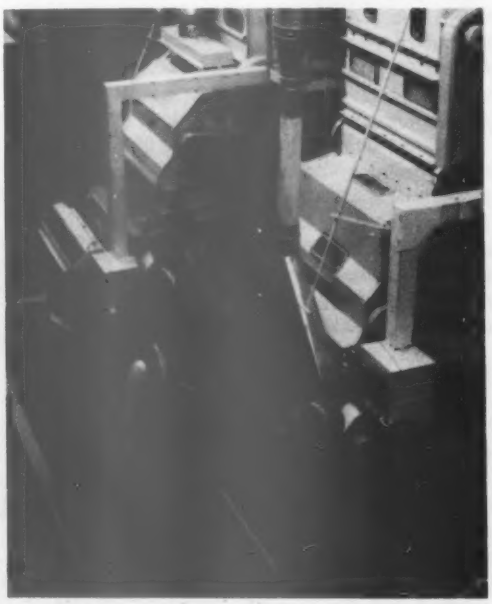
The group was shown a gin with an automatic sampler and compress designed to produce universal-density bales that are ready for export at initial compressing. This permits use of polyethylene bagging and makes possible direct containerized shipment.

While this equipment is expensive, research efforts have produced an inexpensive alternative to fit standard bale presses with wooden plates that will produce a modified flat bale with universal-density width. This will allow for recompression in one direction only instead of the two previously required to achieve the high-density bale shipped for export.

In view of current energy and transport concerns, containerization possibilities evoked considerable interest among the spinners. U.S. shippers advised that cost-saving was minimal, however, unless the method could function from inland warehourses to the foreign purchasing mills' doors. Today, most containers are still loaded at the ports. Traditional sampling procedures and lack of bale uniformity were other objections to the method.

Despite shortcomings, however, containerization was considered to offer a partial solution to the present transportation crunch.





Han-Joon Kim, Director of Korea's Spinners and Weavers Association, examines U.S. cotton, left. Above, mechanized harvesting is viewed by foreign spinners, who also toured USDA ginning laboratory in Mesilla Park, New Mexico, right.

Malagasy Republic Relaxes Trade And Economic Ties With France

By HERBERT H. STEINER
Foreign Demand and Competition Division
Economic Research Service

THE MALAGASY REPUBLIC (Madagascar) is experiencing a period of low production in its major industry, agriculture, at the same time its traditional ties with France are weakening.

Agreements signed in June 1973 took away France's special economic and trade privileges, and as a result, Malagasy must look elsewhere for much of its import requirements and assistance in improving domestic production.

In 1972, France supplied 55 percent of Malagasy's imports and took 38 percent of its exports. The United States took 20 percent of Malagasy's exports, valued at $33.2 million. Principal commodities were: Coffee, $15.1 million; vanilla beans, $9.7 million; cloves, $3.3 million; sugar, $2 million; and clove oil, $1.6 million.

But U.S. exports to Malagasy in 1972 were only $978,000 (4 percent of the total), mainly inedible tallow at $645,000, and relief shipments of dry milk and corn-soya-milk meal at $225,000.

Although Malagasy's chronic trade deficit was reduced in 1972 by a $3-million drop in imports as the result of the Government's austerity policy, its exports still covered only 81 percent of its imports.

Despite Malagasy's overwhelming dependence on agriculture, which employs more than 80 percent of its work force and accounts for about 65 percent of its export receipts, its economic restructuring comes at a time when domestic rice output, the main staple, has declined appreciably.

The 1973 rice harvest, estimated at 1.8 million metric tons, is a decline of only 75,000 tons from the 1971 total, but production has not increased since 1968 while population growth is about 3 percent annually. As a result, imports of 200,000 tons of milled rice will be needed in fiscal 1974. About half of this requirement is expected to come from the United States.

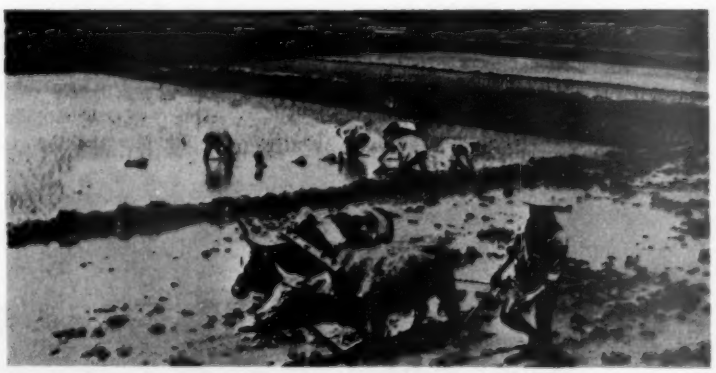
Efforts to increase rice production have absorbed a substantial portion of the Government's investment funds for many years. The 1973 budget allots $5.6 million in capital investments for increasing rice production, in addition to aid committed by France, Germany, the European Community, and the World Bank.

The Agronomic Research Institute of Madagascar has demonstrated that rice yields can be increased two- to threefold by planting high-yielding varieties and using fertilizer. Nevertheless, Malagasy rice production has stagnated in recent years, despite the money invested in rice projects and the technology available to produce higher rice yields.

One of the major deterrents to increased production has been the low price received by farmers. In March 1973, for the first time in 12 years, the minimum price for rice was raised by 6 percent, but neither this increase nor a further price increase of 30 percent on September 1 was enough to bring greater quantities of rice to market. The new price for paddy is about 4 U.S. cents per pound, still far below the world market. The Government has had difficulty increasing rice prices because of strong opposition from consumers, politically a more vocal group than farmers have been.

Before the establishment of a Government-controlled rice trade monopoly in March 1973, farmers in some areas had the option of selling their rice to merchants offering the best price or providing the most advantageous credit arrangements, but the monopoly has put a downward pressure on the actual farm price by reducing the options available to farmers.

Malagasy's food supply situation—upset by poor rice harvests in 1972 and 1973 and by the establishment of the



rice monopoly—has been further aggravated by a severe drought in the south, which also has reduced production of cassava, another major staple.

Production in 1972 of the two major export commodities, coffee and cloves, did not compare with the bumper crops of 1970, although up from those of 1971. Coffee production was 58,000 tons and cloves 6,700 tons, compared with the 1970 level of 67,000 tons and 13,000 tons, respectively. Earnings from coffee accounted for 28 percent and cloves 10 percent of total 1972 exports.

Output of vanilla beans, the third largest export commodity in 1972 and accounting for about 9 percent of total exports, rose slightly to 1,771 tons. However, vanilla bean exports of only 1,225 tons left unsold stocks of 3,000 tons, more than twice the world's annual consumption.

Sugar production rose by 11 percent in 1972, the largest in recent years, and exports were valued at $6 million. The United States took about one-third of this following the increase in Malagasy's U.S.-sugar quota from 9,620 to 12,500 tons.

However, cotton, tobacco, and sisal did not fare as well in 1972.

Cotton production declined to 30,000 bales, well below the 42,000 bales required by the Malagasy Republic's two textile plants, and tobacco exports did not keep up with production, resulting in increased inventories of about 3,000 tons by the end of 1972. In addition, unfavorable climatic conditions early in the year kept sisal production below the 25,000-ton export quota for the year.

Livestock production, mostly cattle, accounts for about 10 percent of Malagasy's gross domestic product. Recent estimates by the Ministry of Rural Development place cattle numbers at 7,650,000, although 1972 estimates were at 9 million. The difference is due largely to a change in the estimation method, but some difference may be attributed to production not keeping pace with increasing exports.

Most of Malagasy's cattle are the indigenous zebu, a slow-maturing breed. Under traditional conditions, a zebu steer takes 6 years to reach 750 pounds. The calving rate is normally only two calves every 3 years. Although Malagasy has no tsetse fly, foot-and-mouth disease, nor bovine pest, 30-40 percent of the calves die after birth.

To raise this extremely low productivity, the Government has decided to use village-oriented programs to reduce calf mortality rates and improve pastures. At the same time, another phase of the program aims at strengthening existing State farms. One of the major efforts is at the Omby State Farm in central Malagasy where cattle are being improved through crossbreeding.

But increases in cattle production will be limited because much of rich bottomlands, which produce superior pastures to carry cattle through the dry season, have been planted to food crops due to the growing population.

The Malagasy Government turned down a proposal by U.S. ranchers to develop a 57,000-acre ranch, in favor of a village-oriented livestock program for Majunga Province which is being discussed with the World Bank.

From 1971 to 1972, the value of livestock and meat products exported, including hides, increased from $14.5 million to $19.7 million, which put pressure on domestic meat prices. The Government then imposed retail price ceilings and limited exports of live cattle.

Malagasy rice field, top left, is one of many paddy fields cultivated by families on small holdings. As the basic food for most Madagascans, rice per capita consumption is about 300 grams per day. Left, family harvesting rice in paddy field. Above, zebus, a cattle breed indigenous to Malagasy, reportedly are more numerous than men.

Chile, Argentina, Israel Make Key Trade Policy Changes

Chile, Argentina, and Israel have announced new trade policies which will affect their relations with the United States and their other trading partners.

Changes of government in Chile and Argentina have produced radical shifts in the trading policies of the two countries, while the policy announced by Israel is a revenue-raising device.

Chile, which had followed a highly restrictive policy on imports, has announced a program of import liberalization designed to minimize public regulation of the private sector. The measures, decreed in a 3-year tariff reform program, include removal of import quotas and prior import deposit requirements, reduction of the ad valorem rates by 10 and 20 percent, valuation of imports based on the Brussels system of valuation, and implementation of a more realistic foreign exchange rate.

U.S. exports of agricultural products to Chile were up $10 million in fiscal 1973 over fiscal 1972 to $30.8 million. Chief among the exports were potatoes, corn, and fats and tallow. U.S. imports from Chile were minimal in fiscal 1973, totaling $4.7 million and consisting mainly of grapes.

Serious violations of Argentina's international commitments under the General Agreement on Tariffs and Trade (GATT) are likely in the absence of a waiver covering policies which view imports as an undesirable necessity to be contained and restricted.

U.S. exports to Argentina were down sharply in fiscal 1973 to $5 million from the previous year's level of $9.1 million. Major exports included seeds, potatoes, corn, and cattle. U.S. imports from Argentina totaled $106.8 million in fiscal 1973. Meat imports accounted for half of the total.

Israel, which already had in place a 20-percent supplementary import tariff, has raised that rate to 25 percent in order to regulate the economically debilitating effects of the recent war. All agricultural imports are affected except wheat, rice, sugar, soybeans, and soybean oil. Imports of both U.S. tobacco leaf and tobacco products, offals, and perhaps some feedgrains are likely to be reduced, although it is too early to attempt a quantitative statement.

Food Exhibition Series In Japan Sets New Records

In these three photos, Japanese importers and nutritionists sample U.S. canned fruit and preserves at Nagoya, grapefruit at Fukuoka, and fruit juice in punchbowls at Osaka.

At Sapporo's Prince Hotel, food trade executives and Government officials see frozen U.S. turkey and chicken.

THE FALL 1973 SCHEDULE of U.S. food exhibitions in Japan ended with a four-show series in September and October that set both attendance and sales records for that country.

The shows attracted over 3,000 representatives of the Japanese food industry who examined the presentations of 23 Japanese trading firms and six U.S. cooperator organizations.

The main purpose of these exhibits was to provide Japanese trading firms with an incentive and opportunity to expand their distribution of U.S. products into secondary but major population centers of Japan. Too often their distribution stops at major ports and the capital city simply because this is easier for the importer.

American cooperators who participated in the three-show series were the American Soybean Association, California Almond Growers Exchange, California Cling Peach Advisory Board, Poultry and Egg Institute of America, Sunkist Growers, and USA Dry Pea and Lentil Council (in conjunction with the Japan Dry Pea Canners Association), representing 62 basic and processed food producers.

The exhibition was held in each city for 2 days as follows: Sapporo, September 11-12; Nagoya, September 26-27; Fukuoka, October 25-26; and Osaka, November 27-28. In each case the event was scheduled in one of the city's most important hotels.

Plans are now going forward for the annual American Foods Festival, to be held April 16-19, 1974, at the Tokyo Ryutsu (Distribution) Center. This site is being used instead of the U.S. Trade Center because the Distribution Center is more spacious and a far larger festival crowd is expected to attend this year than in the past.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Feb. 12	Change from previous week	A year ago
Wheat:	*Dol. per bu.*	*Cents per bu.*	*Dol. per bu.*
Canadian No. 1 CWRS-13.5	6.49	− 1	3.12
USSR SKS-14	(1)	(1)	(1)
Australian FAQ[2]	(1)	(1)	2.79
U.S. No. 2 Dark Northern Spring:			
14 percent	6.10	−11	2.75
15 percent	(1)	(1)	2.77
U.S. No. 2 Hard Winter:			
12 percent	6.20	+ 9	2.69
No. 3 Hard Amber Durum	8.64	−14	3.01
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.55	− 1	2.05
Argentine Plate corn	3.96	− 2	2.27
U.S. No. 2 sorghum	3.41	− 4	2.25
Argentine-Granifero sorghum	3.40	− 3	2.24
U.S. No. 3 Feed barley	3.11	+18	1.98
Soybeans: [3]			
U.S. No. 2 Yellow	7.46	+ 3	6.60
EC import levies:			
Wheat [4]	[5] 0	0	1.51
Corn [6]	[5] 0	0	1.03
Sorghum [6]	[5] 0	0	.85

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] New crop. [4] Durum has a separate levy. [5] Levies applying in original six EC member countries. Levies in U.K., Denmark, and Ireland are adjusted according to transitional arrangements. [6] Italian levies are 18 cents a bu. lower than those of other EC countries.

Note: Price basis 30- to 60-day delivery.

Australia's National and State Governments Consider Wheat Plan

The Australian Commonwealth and State Governments are not considering a new 5-year Wheat Stabilization Plan, details of which were recently made known to State Ministers of Agriculture by the Agriculture Ministry.

Although the broad outline of the Commonwealth's proposal was fairly well known, the Government surprised almost everyone by announcing its contributions to the Plan would be in the form of loans to be paid back by growers.

It was understood the Government would limit its contributions to the equivalent of US$44.7 million in any 1 year and US$119.2 million over the life of plan. But the industry, which had generally accepted these limitations, believed the Government contribution was to be a subsidy grant, as it had been in previous 5-year plans.

With the Government announcement that its funds would be provided only as interest-bearing loans, opposition to the Plan has developed. State legislatures, which must approve the proposal before it is enacted, are also reportedly opposed. As of mid-December, only the Government of South Australia had indicated it will go along with the Commonwealth proposal, while Victoria, New South Wales, and Queensland had rejected it outright.

Yugoslav Trade In Wheat and Corn

Yugoslavia has purchased 500,000 metric tons of wheat for the 1973-74 crop year. The total includes 150,000 tons of U.S. wheat, 100,000 tons from Hungary, and 250,000 tons from Romania, of which 190,000 tons were bartered for 200,000 tons of Yugoslav corn.

It is believed Yugoslavia now has sufficient wheat to meet domestic needs, but additional quantities might be purchased for stockpiling if the price were right.

Yugoslavia's corn exports now total 600,000 metric tons, including that bartered to Romania. Further sales or barterings of significant quantities of corn are not contemplated during the current crop year.

Austria's Record 1973 Grain Crop May Cut 1974 Imports

Austria's grain crop reached a record 3.63 million tons in 1973, according to statistics recently released by the Austrian Central Statistical Bureau. Because of the size of the crop and its high quality, Austria will probably reduce 1974 grain imports to a minimum. (All tons are metric.)

The 1973 output was 9.4 percent greater than that of 1972 and 2.4 percent larger than the 1971 record.

The official total for small grains (mainly corn, sorghum, barley, rye, and oats) was set at 2.8 million tons, 8 percent higher than the 1972 output. The corn crop, at 828,000 tons, was 14 percent greater than the previous record set in 1972 and played a major part in enabling the Bureau to up its current forecast substantially above previous estimates. Barley output was 1.02 million tons, while rye, oats, and sorghum were 439,000 tons, 287,000 tons, and 106,000 tons, respectively. The wheat crop was 949,000 tons.

High per-acre yields, rather than acreage expansion, were responsible for the increased production. Total 1973 grain area, at 2.4 million acres, was practically the same as the year before, with a 9-percent boost in corn acreage being offset by a comparable decrease in wheat and rye area.

Feedgrain imports are currently expected to be relatively small, but purchases of corn for starch manufacture and malting barley may be made. About 28,000 tons of feed corn were imported toward the end of 1973, and additional purchases are not now contemplated.

Imports of hard wheat and Durum ran to 80,000 tons in 1972-73, reflecting the poor quality of Austria's 1972 domestic wheat crop.

Austria will have a sizable surplus of soft wheat for denaturing and use as livestock feed. High world wheat prices might have induced Austria to export soft wheat, but in view of expectations that this type of wheat will be in short supply on world markets later, no such exports were made.

If imports are made in 1974, they will most likely be protein feeds and vegetable oils, items which Austria does not produce domestically in more than negligible quantities.

Swiss Cut Domestic Grain Use Requirement

The Swiss Grain Board has announced that, effective January 1, 1974, the compulsory quantity of domestic grain to be utilized each year by commercial millers will be temporarily reduced from 70 percent to 60 percent of all grain milled the previous grain year.

Rains Cause Some Wheat Loss in Australia

Recent rains and floods have caused little grain damage in Queensland and New South Wales, Australia, but about 15 million bushels of wheat were reportedly lost in Victoria. The Australian wheat crop is now estimated at 401 million bushels.

TOBACCO

Spanish Tobacco Demand May Dim in 1974

Reports from Spain indicate overall demand for tobacco and tobacco products may be receding from 1973 levels.

Leaf imports are expected to drop as a result of higher world prices, greater utilization of domestic leaf, and the Tobacco Monopoly's failure to maintain the quality of new cigarette brands. The United States shipped 4.3 million pounds of leaf to Spain in 1973, down 7 percent from 1972.

Spain's demand for tobacco products is expected to suffer as consumers become more price conscious and tourist numbers decline. In recent years the United States has supplied over 95 percent of Spain's cigarette imports. U.S. cigarette exports to Spain totaled 4.8 million pieces valued at $25 million in 1973, up 19 percent in quantity and 30 percent in value from 1972 levels.

Early reports indicate a 10-percent increase in total Spanish cigarette imports during 1974 would be the best that can be expected. There is no indication that the U.S. market share would change, thus the 10-percent increase would apply to U.S. cigarette exports as well.

Locally Produced Marlboros Appear on Polish Market

U.S. tobacco growers may increase leaf sales to Poland as a result of the Polish tobacco industry's initiating production of Marlboro cigarettes in mid-December.

Poland's Cracow Tobacco Industry plant has produced approximately 10 million king-size (20 mm) acetate filter cigarettes under terms of a contract signed last September with the U.S. firm, Philip Morris, Inc. The cigarettes, reportedly made completely from U.S. tobacco, are geared to the affluent smoker, with retail prices at US$1.30 per pack, about seven times more expensive than the most popular Polish brand and about one-third higher than other Polish cigarettes made from U.S. tobacco.

Production goals for 1974 have not yet been announced, although it is anticipated they will be geared to Polish demand. Preholiday and holiday sales figures were not available as of early January. However, the new Polish Marlboros were prominently displayed in local tobacconist shops during the holiday season.

U.S. leaf exports to Poland rose to 1.63 million pounds in 1973 valued at more than US$1.86 million, compared with a 1972 volume of 783,000 pounds and a value of $973,000.

Japan Monopoly Changes Name

The Japan Monopoly Corporation changed the English version of its official corporate name effective January 1, 1974. The full name will be The Japan Tobacco and Salt Public Corporation and, depending on the purpose, may be called The Japan Tobacco (or Salt) Public Corporation or The Japan Tobacco Corporation. The initials JTC will be used in place of JMC.

The English name change was reportedly made in order to avoid promotion difficulties that might arise through the use of the word "monopoly" in countries where cross-licensing agreements have been made. The corporation's Japanese name Nikon Sembai Kosha, will be retained.

LIVESTOCK AND MEAT PRODUCTS

United Kingdom Adopts New Swine Vesicular Disease Measure

To prevent spread of swine vesicular disease (SVD) through use of inadequately treated waste food as a feedstuff, the U.K. Government recently issued an order which considerably tightens regulations covering feeding waste food to U.K. livestock. A resurgence of SVD in the United Kingdom during the past few weeks led to the order.

SVD was first identified as a disease in Italy in 1966 and in 1971 in Hong Kong. During the past 14 months it has been found in Japan and in much of Europe including the United Kingdom, the Federal Republic of Germany, Switzerland, Poland, Austria, and France. The disease is troublesome because it can only be distinguished from foot-and-mouth disease through laboratory analysis.

SVD was first reported in the United Kingdom in December 1972, but declined in intensity after 89 outbreaks and the slaughter of 42,814 pigs. The disease nearly disappeared in mid-1973, continuing only sporadically. The recent occurrences bring the total number of U.K. outbreaks to 154 and total pig slaughter to 92,000. In many cases, the origin of infection has been traced to processed and poorly handled waste food.

The main provisions of the U.K. order follow: After February 1, 1974, the feeding to animals or birds of waste food imported on ships, aircraft, hovercraft, or other vehicles for consumption by passengers, crew, animals, or birds will be prohibited. The prohibition will also apply to any other waste food which has been in contact with imported waste food.

After July 1, 1974, the Agricultural Minister will be responsible for licensing all processing, collection, and distribution centers for waste food. Licensing will be valid for up to 1 year and prescribed standards of cleanliness, processing, and disposal will be specified.

Australian Live Cattle Prices Weaken, Further Declines Seen

Australian live cattle prices, while still at high levels, have started to weaken in recent weeks as result of reduced demand in two major export markets, Japan and the United States.

The Japanese market for imported beef has been slow in recent weeks due to shipping problems and large stocks of beef already in cold storage there. The little remaining demand for chilled beef in Japan is being met by the more attractively priced U.S. product.

U.S. demand dropped because of ample cold-storage stocks on the East Coast, high interest rates, and declining domestic meat prices.

Australian packers believe domestic cattle prices will have to come down at least another US$15 per 100-pound carcass from the December 13 level of about US$63 for export packers to meet present overseas prices.

Excellent pastoral conditions in Australia have held domestic livestock prices at relatively high levels until now, but a significant drop is expected in early 1974 when farmers are forced to market cattle as pastures dry off.

U.S. Cattle Shown At Peruvian Exhibition

The Arequipa Livestock Exposition and auction was held during the first week of December at Arequipa, Peru. Most of the 400 cattle on exhibit were dairy cattle, about equally divided between U.S. Holstein-Friesian and Dutch Black and White (Overo Negro).

There are strong Peruvian advocates for each type, but there is reportedly an increasing preference for U.S. Holsteins over the Dutch breed because of the former's high milk production. However, future imports will depend on price and credit terms.

Dairy cattle brought from Lima to be auctioned at Arequipa demanded good prices with some purebred Holstein cows and bulls going for about $1,000 each.

Some Peruvian cattlemen have expressed an interest in the purchase of about 2,500 dairy cattle in the current year, while others are examining the possibility of using U.S. bull semen for artificial breeding purposes. About 30 percent of the cows in Arequipa Department are bred artificially.

DAIRY AND POULTRY

Swedish Government Boosts Import Tax on Poultry Meat

Effective January 1, 1974, the Swedish Agricultural Marketing Board raised the import tax on several poultry products. The most significant increase was that applicable to "frozen poultry meat other than in airtight containers," the category that includes turkey rolls. The tax for this product went up from 58 U.S. cents per pound to 77 cents, a boost of about 33 percent.

U.S. exports of turkey meat to Sweden have declined steadily since they reached a peak of US$867,459 in 1969. In 1972, these imports totaled $280,000; and in 1973, $196,000.

One factor causing the decline has been the jumps in the import tax. Sweden has not bound this item under the General Agreement on Tariffs and Trade.

FATS, OILS, AND OILSEEDS

Nigeria Halts Peanut Exports

Nigeria's Northern States Marketing Board has announced a ban on peanut exports due to a major, drought-induced shortfall in 1973-74 production.

The Marketing Board reported that since the 1973-74 season opened early in October, only 21,000 long tons of peanuts (shelled basis) have been purchased, compared with 366,000 tons during the corresponding period of 1972-73.

Total 1973-74 commercial purchases—not including an allowance for smuggling—are currently forecast at 200,000 long tons (shelled basis), against 540,000 tons in 1973-74. All commercial purchases in 1973-74 will be crushed domestically.

Czechoslovakia May Boost Soy Meal Imports in 1974

Czechoslovakia apparently plans to import nearly 460,000 tons of soybean meal from the United States during 1974, according to a high Czechoslovak official. He also said domestically produced soybean area will be increased.

Average annual Czechoslovak oilmeal imports were 472,000 tons in 1971 and 1972, of which 302,000 tons were soybean meal. About two-thirds of the meal was purchased from West Germany. Direct U.S. soymeal exports to Czechoslovakia averaged 140,000 tons during 1972 and 1973.

The planned increase in purchases of U.S. soy meal is believed to be due to the record Czechoslovak grain harvest in 1973 which will reduce the need for grain imports and make more hard currency available for other foreign purchases.

Czechoslovak soybean production is insignificant at present but the country intends to gradually increase area to about 124,000 acres by 1990.

Philippine Copra Production Unaffected by Energy Shortage

Philippine copra production in 1974 will not be affected by the fertilizer shortage because commercial fertilizer is not widely used on this crop.

Coconut crushing has reportedly been restricted because of reduced production, strong export demand for copra, and delays in transit rather than fuel shortages.

Other Foreign Agriculture Publications

- November Livestock Exports Continue Above Year-Earlier Levels (FLM-MT-1-74)
- U.S. Cotton Exports Low in November (FC-1-74)
- Red Meat Per Capita Consumption (FLM-1-74)
- World Meat Trade (FLM-2-74)
- Fats and Oils: World Situation and Outlook for 1974 (FFO-2-74)

Single copies may be obtained free from the Foreign Agricultural Service, USDA, Washington, D.C. 20250, Rm. 5918 S.; Tel.: 202-447-7937.

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Higher Meat Output in Enlarged EC Could Slow Beef Imports

Continued from page 4

in a levy of about 0.6 to 1.2 U.S. cents per pound on fresh and chilled beef carcasses and cuts This is the first EC beef levy since January 24, 1972.

Since enlargement, the import price is no longer published by the EC, but is only reflected in the published levies. The import price is based on offer prices for imported meat. Prior to enlargement, the EC import price was based on live cattle prices in neighboring European countries.

Levies become effective when the import price falls below the orientation price. Through October 1973, the weighted average import price for live cattle and beef was above the target price and no levies were collected.

In response to rising prices, full duties on live cattle and beef were suspended by the EC Council in June 1972.

This regulation encouraged imports by the EC-6 from both the new members and third countries. As a result of the suspended levies and reduced duties, imports into the original EC increased 66 percent in 1972.

During most of the period between June 1972 and September 1973, the duties were at 50 percent of the full duty rate of 20 percent. In September 1973, the EC reference price fell below 102 percent of the target price, and full duties were reimposed.

Since 1970, U.S. cattle prices have increased more rapidly than EC cattle prices. Due to currency realinements, the actual dollar difference between average EC and U.S. cattle prices has widened to about $8.50, compared with about $4 in 1970. In the future, this wider dollar spread between these two areas may decrease the stability of the world beef market, as EC import charges fluctuate in response to internal supply and demand changes,

An approximation of prices paid for cattle in the United States and the EC can be determined by comparing weighted average prices for cattle sold in each market. Since cuts of meat and types of cattle differ in each market, determinations are made strictly on a quantity basis, with no allowance for differences in quality.

On this basis, the 1970 average price for all cattle sold in the EC was about 23 percent higher than the equivalent U.S. price. This price relationship has changed since 1970 because of changing supply and demand conditions and the devaluation of the U.S. dollar. In the last quarter of 1972, EC prices were 25 percent higher than U.S. prices, at constant 1970 exchange rates.

By the third quarter of 1973, however, the EC price level, measured at 1970 exchange rates, was 10 percent less than the U.S. level. Measured in current U.S. dollars, however, EC prices would be 19 percent higher than U.S. prices because of changes in currency exchange rates.

Between 1970 and 1973, the orientation price for beef increased 26 percent in units of account (1 unit of account equals US$1.20) from 68 to 86.2 units per 220 pounds. When measured in the depreciated value of the dollar, however, the increase is 65 percent higher.

Pork production in the EC has increased regularly, protected by both a levy and EC health standards that almost eliminate imports. Pork can be produced economically in the EC from confined feeding because of a better feed conversion ratio than beef—very important because of high EC feed prices.

Pork production in 1974 is predicted to continue to expand in Germany, Italy, and Belgium and remain at 1973 levels in France and the Netherlands. France has the potential to produce much more pork, but a large share of its grain is sold off the farm for export.

In Germany, the small size of swine operations, averaging about 25 head per farm, compared with 73 in the Netherlands and 45 in Belgium, has reduced the rate at which German pork production can be increased. This is because small farmers are not able to fully implement economies of sale.

The Netherlands and Belgium are important pork exporters, but the Netherlands may face environmental problems if expansion continues without pollution controls. In Italy, the sharp rise in feed prices has reduced hog numbers, but the feed situation is improving, and a nearly 10-percent increase in sows should result in higher pork production in 1974.

In the new Member States, pork production is either declining or expanding at a lower rate than in the original Six. In the two exporting countries—Denmark and Ireland—pork production and hog numbers have declined temporarily because of high feed prices and producer uncertainty about the EC pork-price-support system. In the United Kingdom, hog numbers are expanding at a slow rate.

In 1970, EC hog prices were $5 to $10 higher than U.S. levels. By the third quarter of 1973, U.S. and EC hog prices were equal. If currencies had remained at earlier levels, EC hog prices would have been 30 percent less than U.S. prices.

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